

Orders Up For Key U.S. Long-Lasting Factory Goods

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WASHINGTON (AP) — Orders for U.S. factory goods that signal business investment plans jumped last month by the most in more than a year, suggesting companies are confident about their business prospects.

The Commerce Department said Wednesday that orders for so-called core capital goods, which include industrial machinery, construction equipment and computers, rose 6.3 percent in January from December. A sharp fall in demand for commercial aircraft caused overall durable goods orders to drop 5.2 percent, the first decline since August.

Orders for commercial aircraft are volatile from month to month and can cause large swings in the overall figure. Boeing reported orders for only two planes in January, down from 183 in December. Orders for defense equipment also plummeted by the most in more than 12 years.

Durable goods are items expected to last at least three years.

The increase in core capital goods suggests companies are willing to expand their production capacities despite worries that automatic government spending cuts will slow the economy in the coming months.

"The fact remains that capital spending appears to be holding up very well," Dan Greenhaus, chief global strategist at BTIG, a brokerage firm. "In fact, it appears to be accelerating."

Still, the jump in orders wasn't broad-based and occurred mostly in machinery and manufactured metal products. Orders for computers and communications equipment both fell and orders for autos and auto parts were unchanged.

And even with the increase, orders have mostly just recovered last year's losses. Total core capital goods orders reached \$67.7 billion in January, just above December 2011's level.

Several economists warned that orders were likely to fall in the coming months after such a big gain.

"We don't expect businesses suddenly to throw caution to the wind," Paul Ashworth, an economist at Capital Economics, said in a note to clients.

About \$85 billion in spending cuts are scheduled to kick in Friday and there is little sign that the White House and Congress will reach a deal to avoid them. Defense

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Department officials may have slowed purchases in January in anticipation of the cutbacks.

Business investment plans have held up in recent months despite the uncertainty surrounding tax and spending policies. Core capital goods orders dipped 0.3 percent in December but posted strong gains of 3.3 percent in November and 3 percent in October.

The report suggests U.S. manufacturing is strengthening. The Institute for Supply Management said earlier this month that factory activity grew in January at the fastest pace in nine months. Measures of new orders and hiring both rose.

But industrial production fell in January after two months of increases, the Federal Reserve said. Much of the decline reflected a big drop in auto production that was likely temporary. The auto industry is coming off its best year for sales in five years. Sales continue to rise, so production will likely rebound in February.

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